Chapter 7

Conclusion

And

Suggestions
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7.1: Introduction

This chapter is devoted to offer the final outcome of the study in the form of conclusion and suggestions. Besides, it also throws lights on the issues concerning limitations and future directions of research. In other words, this is concluding chapter of the thesis.

7.2 Conclusion and Suggestions-General Comments on Global and Indian CSR Practices

The research explores the existing literature available on CSR. The literature review shows trends and definitions starting from the early days of 1950s when CSR was in its budding stage. As of now, the trends have changed and CSR affects not only the company’s reputation and goodwill but also govern the financial performance. It was analyzed that the reporting practices range from the very sophisticated and well-established system to “a brief mention of CSR” in the annual report. CSR reporting will continue to improve globally, but the information it contains would need to be standardized. A feature noticed in the development of CSR reporting is the influences of several international and local organizations with different frameworks, indices, directives and initiatives etc., many of which are voluntary but are likely to hinder rather than assisting the development in the reporting systems. India’s markets continue to exhibit a profusion of negative externalities where the costs of resource use, environmental degradation, or community disruption are neither paid by those who incur cause them nor are reflected in actual prices. Today’s economic framework gives little encouragement for companies to consider the long-term impact in the essence of true sustainable development.

There are several companies in India which are involved in diverse issues such as healthcare, education, rural development, sanitation, microcredit, and women empowerment. Analysis of several surveys conducted in India suggest that though many companies in India have taken on board the universal practice of CSR, but CSR still seems to be in a confused state. Individual companies define CSR in their own limited ways and contexts. The end result being that all activities undertaken in the name of CSR are merely philanthropy or an extension of philanthropy. It seems that CSR in India has been evolving in the domain of profit distribution...
only. There is a need to increase the phenomena of understanding and active participation of business in equitable social development as an integral part of good business practice.

Also it was felt that GRI gives emphasis to aspects like human rights, which should not be mixed in with community engagement activities, charitable donations, human resources management tools, and ethics based issues such as corporate training programmes and none of which replaces human rights performance. The GRI should design a worldwide grid of sectors and regions and their corresponding human rights risks to which companies would refer to in their reports. Human rights performance should start with a comprehensive overview of its positive and negative operations with details provided about high-risk operations. An industry-specific combined with sector-specific reporting can be done in the CSR reporting.

Business houses all over the world are realizing their stake in the society and engaging themselves in various social and environmental management activities. CSR holds a very important place in the development scenario of the world today and can pose to become an alternative tool for sustainable development. As companies have shown great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of the society lies in the hands of the corporates. The need of the hour is to formulate effective strategic policies and adopt various instrumental process according to the company history, its content, peculiarity in relationship with its different stakeholders so that CSR can best be implemented towards achieving its goals i.e. sustained environmental, social and economic growth. Creating trusts and foundations seem to be a favorite route of CSR practice by Indian companies but largely such trusts and foundations work at an arm’s length from the company preventing the mainstreaming of CSR into the core business processes and limiting CSR to community development only.

Thus, CSR is becoming a fast-developing and increasingly competitive field of practice. The case for demonstrating corporate responsibility is getting stronger as expectations among key opinion formers, customers and the public are increasing. Being a good corporate citizen is increasingly crucial for commercial success and the key lies in matching public expectations and priorities, and in communicating involvement and achievements widely and effectively.
This study also founded that SP (Statutory Provision) CCZ (Corporate Citizenship), EA (Economic Activities), PS (Profit Share with Society) and OS (Opportunity to Serve) have positive impact on Corporate Social Responsibility practice in India. On the contrary, UL (Unwanted Law) has negative impact on Corporate Social Responsibility practice in India. So in order to strengthen Corporate Social Responsibility practice in India, above said positive factors may be encouraging to operationalize for better result in the sphere of CSR initiatives.

7.3: Conclusion and Suggestions—Specific Comments on Global and Indian CSR Practices

As discussed in Chapter 6, CSR practices as seen in India are primarily people focused and society focused besides being environment focused. The CSR practitioners are found to be much more concerned about framing CSR policies to focus on welfare of the society in general and health, safety awareness, community building and providing general basic education to the members of the society in particular. Moreover, it deals with transparent corporate governance, transparent dealing with creditors, healthy industrial relations etc. As far as adoption of CSR guidelines are concerned, they try to comply with the CSR related provisions within the meaning of the Companies Act, 2013 and in addition to that the best practices of the concerned industry. The core CSR initiatives remained confined within the scope of waste recycling, solid waste treatment and use of renewable resources. At the same time, initiatives with respect of energy saving, controlling water pollution, protecting soil depletion etc are found to be back seated. The Indian corporate sector face problems relating to employment of child labor, rampant industrial disputes with the employees, payment of minimum wages, employees health insurance relating problems, etc. On the other hand, employee-community issues, employee retirement benefits, special rights of women employees, employees compensation for meeting accidents during employment are not given due importance and weight by the corporate India. As far as CSR practices with reference to donation for school/college buildings constructions, donation for setting in hospitals, providing mid-day meals in the schools, providing books and learning aids to the students belonging to the marginalized group of people in the society, creation of general awareness about cleanliness and sanitation among the common people, setting up local libraries are concerned, they are getting gradually more importance than providing old age pension, donation for the cause of housing for the marginalized community etc by the CSR practitioners. In India, CSR initiatives are adopted mostly in order to comply with the
regulatory formalities, building brand of the products and services, to promote corporate image in the society and to emerge as a model corporate citizen (here the phrase 'corporate citizens' means becoming a good neighbour), gaining confidence and support of the society etc. As far as the limiting factors with reference to CSR practices are concerned, the corporate sector is found to be constrained to have good CSR practices due to non-availability of people having necessary skill, experience, knowledge and technical knowhow. Moreover, sometimes, CSR practices appear to be cost prone and non-availability of adequate guidance act as limiting factors for having reasonable degree of CSR practices. As far as CSR delivery mechanism is concerned, it is carried out with the involvement of the middle level management and hired CSR consultants and top management is mostly involved in formulating CSR policies and the same is passed on to the middle level management for execution with the help of hired CSR consultants and experts since the in-house capability of the companies are yet to be developed to the extent it is necessary for carrying out CSR activities.

As far as accountability to the stakeholders is concerned, the corporate India tries to remain accountable to the employees, trade unions and customers in the first instance, secondly they ensure their accountability to the financial institutions and creditors and third order accountability is shown for the community and shareholders. Besides, corporate India comes to know the impact of CSR practices through conducting survey about customer satisfaction, cause related marketing campaign etc. The companies also try to give attention to capacity building of the employees by offering periodical training and sometimes giving on-job-training etc but not in mentionable scale. Indian companies formulate long term CSR strategy on the basis of feedback collected periodically from the investors, banks and financial institutions, competitors, trade unions, media, government and regulators, customers and suppliers and also from merchant chambers of commerce as far as possible.

It is also seen that the factors like the provisions of the companies Act, 2013, environmental issues, human rights issues, industrial relations and human resource policies etc are found to be more vulnerable to the performance of the companies.

As far as benchmarking of CSR practices of corporate India is concerned against the global CSR practices, it gives due importance to transparency in corporate governance, corporate mission, vision and corporate objectives, transparency in dealing with government and regulatory
authorities, national chambers of commerce and dealing with international trade organizations. However, grievance control mechanism, transparency in employee’s welfare policy etc are found not in much practice. It is also feeling of the majority of the Indian companies that the Companies Act, 2013 has imposed the mandatory CSR provision on them and CSR should be voluntary and not legally binding or imposable on the companies. Moreover, it is evident from the data collected for this thesis that developing country like India is seen to be struggling to meet the economic, legal and philanthropic needs of the society. Ethical issues are also gaining importance though not at accelerating rate. It may be mentioned that India is a developing country and attributed with labour intensive economy and she is lagging far behind the economically advanced countries in the domain of CSR practices. From the overall analysis, it may be a sacred initiative to offer a definition of CSR that suits Indian current practice and accordingly, CSR may be defined as the commitment of the corporate India to adopt policies and pursue those activities that have a positive impact on the welfare of the people of India and on her environment. Finally, Indian corporate sector should not engage totally on profit making activities only but they should practice on those CSR activities which make them economically sustainable and the Three P Model i.e. 'People, Planet and Profit' is perhaps the best. In other words, CSR practice should concentrate on protecting the interest of people in first instance, planet i.e. environment in the second instance and finally profit for perpetual existence and long term sustainability of the business. CSR accrues a lot of benefits to the corporate India and they include employee retention, improving image of the firms, enhancing employee-commitment and capability. For instance, the employee shall feel the sense of belongingness to the firms if they are provided with congenial working atmosphere and treated with dignity. It is found by the researchers that that employee retention is high in the socially responsible Indian firms as compared to firms having least degree of CSR practices. Reasons for the same is very plain and simple as it plays an important role in providing employee satisfaction and only happy employees shall have long term association with the companies. CSR motivates the employees to work more efficiently because they remain committed to contribute most because congenial working environment is provided by the employer-companies. The challenge before the companies is the work cost ineffectiveness and cost inefficiency since the market is of intense competitiveness which leads to decrease in wage rates and offering poor working conditions in many cases. And this reduces the CSR preference of the of the companies in India because
compliance with CSR requirements needs financial resources and this needs to be rationed when supply is side does not match with demand side. It has been found by the researchers that majority of the public sector enterprises have separate management policies for their CSR implementation and execution but private sector enterprises and MNC sectors have need based CSR initiatives. However, if they allocate a fixed budget for CSR activities to be undertaken, it can easily uplift the poorer and marginalized sections of the society and this can be part of sustainable socio-economic development. It is also found by the research that public sector enterprises are committing 2% of their net profit for the purpose of CSR as compared to private and MNC sectors. According to Central Public Sector Enterprises, all those having Profit After Tax(PAT) above Rs. 500 crores in a year, the budgetary allocation for CSR activities has been raised to the statutory limit at least and this makes and enhances corporate image before the society. However, it can be opined that CSR in India is passing through the evolutionary phases and it needs to be strategic and interwoven with the principal operational activities of the firms. It is also mentionable that public sector alone cannot address all the issues and get the same resolved since the vast resources in financial, human and technological terms are at the command of the private and MNC sectors and therefore they must take proper CSR initiative too.

The purpose of the thesis to account for global and Indian CSR perspectives and practices. The researchers established that developed countries that include USA, UK, Germany, France, Canada, Japan etc. do have robust mechanism for socially efficient and effective CSR initiatives and they do it on the moral and ethical compulsion and law of the land do have a secondary role to assess the degree of CSR culture in those countries. Those countries consider CSR practice as the unavoidable obligation and they do hardly wait for any legal pronouncement for undertaking any CSR or CSR related activities in their corporate agenda. On the contrary, countries like India, Sri Lanka, Bangladesh, South Africa and Pakistan are generally found to be CSR averse and they feel why they should adopt CSR initiatives since law of the land is not asking them to adopt any CSR activities. CSR initiatives in the countries like China, Malaysia, South Korea are on encouraging stage and the same is found to be in practice on voluntary basis and in significant ways. It is to see that ownership of resources lies with society and therefore 'live and let live' should be the best CSR policy which can sustain and make the society sustainable.
7.4: Suggestions in General

Following are the general suggestions for the users of the study and the decision makers:

7.4.1: Measure to Curb Corrupt Practices

CSR should enliven certain appropriate measures to curb the corrupt practices by the multinational companies in developing countries. Corruption curbing is a CSR issue and the same need to be regulated and controlled in appropriate and effective manner by dint of providing legal provisions in the Companies Act, 2013 or any other laws of the land.

7.4.2: Criteria for Becoming Socially Responsible Companies

Based on the CSR definition offered by A. B. Carroll, a company, in order to become socially responsible, is to take care of four parameters or comply with economic, legal, ethical and discretionary dimensions of CSR philosophy. But, it is difficult for the companies to comply with the requirements of all these four dimensions of CSR simultaneously at a time and it is therefore suggested that flexibility may be in place to have success in complying with requirements of one factor over other at a time. The Companies Act, 2013 read along with CSR Rules, 2014 has earmarked CSR activities to be undertaken by the companies. It is also suggested that list of CSR activities should be broad based and comprehensive. It is seen that complying with economic and ethical dimensions of CSR is much easier than that of complying with legal and discretionary dimensions of CSR practices.

7.4.3: Incentives for CSR Practices

The decision makers and government should make provisions for adequate incentives, for the companies for undertaking CSR activities, in the form of deduction/exemptions/rebate in tax liability and fiscal compliance.

7.4.4: Voluntary CSR Practice

CSR is seen to be effectively in place in those countries where it is voluntary in nature than that of being a mandatory legal compliance. CSR is prescribed to be mandatory in the country like India where the companies are of the view to treat it as an unavoidable burden. In the study, it has been seen that many countries undertake CSR activities with seriousness even when it not
legally mandatory. Therefore, CSR practice should be nurtured as a voluntary corporate culture and not mandatory in strict legal sense.

7.4.5: CSR for Branding, Innovations and Sustainability

CSR should be used as an effective tool for promoting branding, innovations and sustainability and value maximization and with this motto, the shareholders should be served by the companies. The employees and suppliers should also be treated with fairness and justice. Moreover, abiding by regulations and laws of the land should be part and parcel of CSR practices since it helps in promoting sustainability of the companies.

7.4.6: CSR for Commercial Performance

The companies should carry out CSR practices voluntarily since it takes care of commercial performance of the firms. Dealing in innovative products and selling value added merchandises help the companies to have more degree of sustainability under the intense competitive business environment.

7.4.7: CSR for Nation Building

CSR Practice may be used as a tool for formation of social capital, nation building and expanding business opportunities since it builds confidence of the society on the initiatives concerning social welfare taken by the companies under the canvas of CSR.

7.4.8: Alignment of CSR Practice with Business Objectives

CSR practice should be aligned with mission, vision and objectives of the companies in order to have smooth CSR compliance since the support of top management may be had in formulating and execution of CSR initiatives by the companies.

7.4.9: Inequality Reduction through CSR

Inequality reduction is possible through CSR practices and therefore moral pressure should be imposed on the companies for adoption CSR initiatives and compliance and companies should take guidance from the Indian Institute of Corporate Affairs (IICA), Ministry of Corporate
Affairs and Department of Public Enterprises, Government of India from time to time in order to have best CSR practices.

7.4.10: Case-Law Decisions for CSR Practice

Companies should use case law decisions delivered by the Supreme Court of India as well as High Courts from time to time as the fundamental guide to settle and comply with the CSR initiatives. The case law decisions delivered by the Supreme Court are binding on everybody across pan India and High Courts and Supreme Court Rulings facilitates to have healthy CSR practices.

7.4.11: Separate CSR Legislation

A separate and comprehensive legislation for having smooth and healthy CSR practices is suggested to be enacted and the same should be connected harmoniously with the relevant provisions of the Companies Act, 2013, Foreign Exchange Management Act, 2000, Consumer Protection Act, 1986, Air Pollution Control Act, 1980 etc and any other Acts and Laws of the country having direct or indirect link with the management of CSR activities.

7.4.12: CSR for overall Social Development

Rural development, education, livelihood provisions, healthcare, environment protection and ecology balancing should get prominent room in the CSR perspectives and practices since ultimate objective of CSR practices is to promote social development through the route of social welfare.

7.4.13: The National Voluntary Guidelines on CSR

The National Voluntary Guidelines on CSR laid down by the Ministry of Corporate Affairs should be followed in the day to day practice of CSR and CSR compliance. The referred guidelines contains nine principles and they are seen to be effective in promoting CSR practices. The Nine principles as contained in the National Voluntary Guidelines are mentioned here under.

1. Businesses should conduct and govern themselves with ethics, transparency and accountability.
2. Businesses should provide goods and services that are safe and contribute to the sustainability throughout their life cycle.

3. Businesses should promote the wellbeing of the employees.

4. Businesses should respect the interest of, and be responsive toward all stakeholders especially those who are disadvantaged, vulnerable and marginalized.

5. Businesses should respect and promote human rights.

6. Businesses should respect, protect and make efforts to restore the environment.

7. Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

8. Businesses should support inclusive growth and equitable development.

9. Businesses should engage with and provide value to their customers and consumers in a responsible manner.

These principles can facilitate and guide CSR practices and compliance as long as no dedicated CSR law is legislated in the country.

7.4.14: CSR Focus on Socially Inclusive Practices

CSR practice should focus on the changing policy environment in order to have socially inclusive practices.

7.4.15: Initiative to maximize Profit lawfully

The companies should take necessary initiatives to lawfully maximize profits since it is one of the important of CSR dimensions. Other initiatives include improvement in quality of products, scientific management of operating costs and monitoring the productivity of the employees with the help of Cost & Management Accountants (CMAs) who are the Members(ACMAs/FCMAs) of the Institute of Cost Accountants of India.

7.4.16: Keeping Abreast of Latest Development and Enactment of Laws
Managers i.e. agents of the shareholders should remain updated and keep abreast of recent enactment and development of economic, commercial and environmental laws of the land. They managers must ensure that all the products of the concerned company should meet the standards fixed by the law of the country.

7.4.17: Code of Conduct

Businesses should develop a framework of comprehensive code of conduct. They must earn trust of the society. Moreover, it is imperative to strictly give full disclosure of accurate information to every stakeholders of the company and these are all ethical components of CSR practices.

7.4.18: Competitive Salary to the Employees

The companies are suggested to offer salary to the employees not less than that of industry average and they should pay higher than industry average. Moreover, the businesses should make adequate contributions to charities.

7.4.19: CSR as Tool to reduce Employee Turnover

Reduction of employees turnover and earning customers satisfaction are two important factors on which CSR has a great influence. Legal and discretionary factors can reduce employee turnover and the same should be given due recognition not only for theoretical purposes but for the practical purposes also.

7.4.20: Customer Satisfaction through CSR Practices

The study also suggests that economic, legal and discretionary dimensions of CSR do have effective influence over the perspectives of generation of customer satisfaction which is of paramount importance in the Business. In simplicity, providing value added products which is part of economic dimension by meeting legal standards which is legal dimension and by treating employees with competitive salary which is the art of discretionary dimension of CSR shall be able to generate higher customer satisfaction. It is worth mentioning that only happy employees can make customers happy and it is therefore suggested the companies should adopt this model for reaping higher economic benefits for the concerned companies.
7.5: Specific Suggestions

It has been reported in logistic regression the variables namely SP (Statutory Provision) CCZ (Corporate Citizenship), EA (Economic Activities), PS (Profit Share with Society) and OS (Opportunity to Serve) have positive impact on Corporate Social Responsibility practice in India. On the contrary, UL (Unwanted Law) has negative impact on Corporate Social Responsibility practice in India. So in order to strengthen Corporate Social Responsibility practice in India above said positive factors may be given more importance for better CSR practice in India. It has been observed that economically advanced countries i. e. U.S.A., U.K., Australia, Canada, Japan, Germany, China, Brazil and India are more or less used to adopt CSR practices voluntarily whereas less developed countries i. e Pakistan, Bangladesh, South Africa, Shri Lanka and Malaysia do not practice CSR at very high scale. Therefore in less developed countries more emphasis should be given for better CSR adoption. As far as the factor analyses is concerned, it is evident that the factors like corporate governance, transparency in dealing with the creditors, environmental issues, philanthropic and moral issues, UNGC, OECD Guidelines for the multinational companies, United Nations Guiding Principles on Business, Human Rights, GRI, solid waste treatment, environment friendly operations, water pollution controlling, atmospheric pollution controlling, greenery initiatives, renewable resources and waste recycling, special rights of women employees, compensation for meeting accidents during employment, employees community issues, industrial disputes with regulatory authorities, employees health insurance and regulatory non compliance, child labour deployment, industrial disputes with employees and payment of minimum wages, philanthropic activities, gaining confidence of the society, increasing efficiency of the people in an organization, knowledge factors such as skill, experience etc hiring CSR experts for CSR implementation, operational factors, employees welfare related factors, financing related factors, market management factors, supply chain management factors, training factor, civil society factors, regulatory factors, ethical factors, environmental factors etc should be strengthened for better CSR practice.

7.6: Limitations

The present study examined and assessed the current status of CSR under global and Indian perspectives and contexts. A sincere attempt has also been made to identify CSR framework in
terms of legal, economic and social perspectives and assessing the degree of international practice of CSR in general with special emphasis on legal issues mainly it covers CSR issues after enactment of the new Companies Act, 2013 where it made CSR compliance mandatory for the Indian companies in terms of the provisions of Section 135 of the said Act. For examining above objectives the study had used 450 sample from different sectors across India. This may not be representative sample. Some of the important explanatory variables may be left out from the analysis. This study is not able to capture all variables due to time and money constraints. So it could be included in future research. All these issues limit the present study.

7.7: Scope for Further Research

Since the study examined only the current status of CSR under global and Indian perspectives and many issues are yet to be addressed for which a further study can be conducted to make a comparative analysis of CSR practices between pre and post reform era. Further, sector level study can be conducted for finding out sector specific status of CSR. A comparative micro level study with reference to China or any of the emerging economies may also be attempted. Moreover, it can be a good and potential research subject to examine whether Section 135 of the Companies Act, 2013 violates Article 14 of the Indian Constitution. Article 14 of the Constitution guarantees every person, equality before the law and equal protection of law within the geographical and political territories of India. Moreover, Article 14 allows reasonable classification of the legislation. In Re: Special Courts Bill, the Supreme Court of India has consistently ruled that classification is valid only if it is founded on an intelligible differentia and the differentia has a rational relation to object sought to be achieved by the concerned statute in question. As per Section 135(1) of the Companies Act, 2013, once a company has met any of the threshold limits relating to net worth, turnover or net profits, it would come within the ambit of Section 135. Thus a company which does not meet the threshold limits at a future point in time would nevertheless continue to be obliged to spend on CSR activities. CSR spending is made mandatory only for the company form of organizations and it is not applicable to partnership firm or LLP or any form of organization even if its net worth or turnover or profits becomes more than the prescribed limits. Secondly, it can be a serious subject for research to examine whether Section 135 of the Companies Act, 2013 violates Article 19(1)(g) of the Constitution of India. Article 19(1) (g) of the Constitution vests freedom of trade,
commerce and profession and CSR activity has been made mandatory in India for certain companies which meet the prescribed criteria by Section 135 of the Companies Act, 2013. Thirdly, Section 135 requires a company to divert the financial resources which could have otherwise been into the company's business for earning incremental return or for the purpose of payment of dividend to the shareholders for being spent on CSR activities and it has imposed restriction on the internal management activity of the company and it is to see as to whether the same is tenable in the eye of law. It is worth mentioning that CSR does not fall under reasonable restriction. Article 16(1) (g) is subject to the provisions of Article 19(2) to 19(6) which permits the state to make laws which impose reasonable restrictions on the exercise of the right granted by Article 19(1) (g), inter alia, 'in the interest of the general public. The Supreme Court has, by and large, given a broad coverage to the meaning of the language of Article 19(6) and accordingly, the reasonableness of restriction is to be ascertained in an objective manner and from the standpoint of the interests of the general public and not from the standpoint of the persons upon whom the restrictions are imposed. Furthermore, it may also be examined as to whether CSR acts as a bottleneck in the practice of corporate democracy. Shareholders are the owners of the company and the management and day to day governance of the company is entrusted to the Board of Directors. By dint of the provision of Section 135 of the Companies Act, 2013, Board of Directors enjoy unrestricted power to decide the CSR expenditure for the CSR activities to be undertaken. In simplicity, Board of Directors can undertake those CSR activities which relates to their personal interest. For instance, a director may like to take up a CSR activity in school where his son studies. These are certain areas which can be further investigated by the future researchers in the area of CSR.